

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 CIAE-00 PM-03 H-02 INR-07

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FM AMEMBASSY LISBON

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INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

USMISSION NATO

:DIA WASHDC

USCINCEUR VAIHINGEN GER

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 2195

E.O. 11652: GDS

TAGS: ELAB, PINT, PO

SUBJ: EMPLOYMENT PROGRAM

SUMMARY: THE PROVISIONAL GOVERNMENT HAS ANNOUNCED THREE MEASURES TO IMPROVE CONDITIONS OF THE "LEAST FAVORED" SECTOR OF THE POPULATION. AN APRIL 15 DECREE LAW ESTABLISHED A SYSTEM OF NATIONAL UNEMPLOYMENT BENEFITS, RETROACTIVE TO APRIL 1, 1975. A PROPOSAL TO GREATLY EXPAND SOCIAL SECURITY COVERAGE BY INCLUDING SELF-EMPLOYED AND OTHER PREVIOUSLY EXCLUDED WORKERS WAS ALSO PUBLISHED APRIL 15 FOR PUBLIC COMMENT AND DEBATE. FINALLY, THE COUNCIL OF MINISTERS ANNOUNCED LATE APRIL 15 A SWEEPING NATIONAL EMPLOYMENT PROGRAM WITH EMPHASIS ON THE PUBLIC SECTOR AND SCANT MENTION OF THE ROLE OF PRIVATE ENTERPRISE. THESE SOCIAL REFORMS, FOR THE MOST PART ALREADY EXISTING AND WELL
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ESTABLISHED IN THE REST OF EUROPE, ARE REVOLUTIONARY IN THE

PORTUGUESE CONTEXT. END SUMMARY.

1. AN EMPLOYMENT PROGRAM WAS AMONG SWEEPING ECONOMIC MEASURES ANNOUNCED APRIL 15/16 (SEPTELS) BY COUNCIL OF MINISTERS.

2. UNEMPLOYMENT BENEFITS - EFFECTIVE APRIL 1 NON-SELF-EMPLOYED WORKERS AFFILIATED WITH ONE OF THE OCCUPATIONALLY BASED "CASAS DE PREVIDENCIA," ANY OF SEVERAL RETIREMENT PLANS, OR THE RURAL "CASAS DO POVO" ARE INCLUDED IN A NATIONAL UNEMPLOYMENT BENEFIT PROGRAM AUTHORIZING PAYMENTS OF TWO-THIRDS OF THE NATIONAL MINIMUM WAGE TO UNEMPLOYED WORKERS WITH DEPENDENTS, AND ONE-HALF THE NATIONAL MINIMUM TO WORKERS WITHOUT DEPENDENTS. MONTHLY BENEFITS WOULD BE ACCORDINGLY US\$88 OR US\$66 AND WOULD CONTINUE FOR UP TO SIX MONTHS. THE DECREE LAW, NO. 495/75, ESTABLISHES THAT BENEFICIARIES MUST BE EMPLOYABLE AND BE INVOLUNTARILY UNEMPLOYED. RURAL WORKERS ARE ELIGIBLE FOR BENEFITS AT ONE-THIRD OF THE NATIONAL MINIMUM OF US\$132.

3. UNEMPLOYMENT BENEFITS ARE TO BE FINANCED BY A THREE PERCENT WAGE TAX DESTINED TO THE NATIONAL UNEMPLOYMENT FUND. (COMMENT: SECRETARY OF STATE FOR LABOR CARLOS CARVALHAS TOLD LABATT APRIL 16 THAT THE GOP IS CONFIDENT ADEQUATE FUNDING FOR THE PROGRAM IS PROVIDED. UNEMPLOYMENT IS VARIOUSLY ESTIMATED AT UP TO 180,000. CARVALHAS ADMITS THAT NO ACCURATE FIGURES ARE AVAILABLE BUT MAINTAINS THAT ACTUAL UNEMPLOYMENT IS FAR BELOW THE 180,000 FIGURE. END COMMENT.)

4. EXPANDED SOCIAL SECURITY COVERAGE - THE INTENT OF THE PROPOSED DECREE-LAW, PUBLISHED FOR PUBLIC COMMENT ON APRIL 15, WOULD BE TO EXTEND SOCIAL SECURITY COVERAGE TO LARGE SECTORS OF THE POPULATION CURRENTLY EXCLUDED. THE PROPOSED MEASURE WOULD MAKE SELF-EMPLOYED WORKERS AND MANY OTHER CATEGORIES OF WORKERS ELIGIBLE FOR DISABILITY, MATERNITY, RETIREMENT, FAMILY BONUS, AND DEATH BENEFITS.

5. EMPLOYMENT PROGRAM - PLANNING MINISTER DR. MARIO MURTEIRA MADE THE FOLLOWING MAJOR POINTS IN HIS PUBLIC STATEMENT:
-- FULL EMPLOYMENT IS THE PRINCIPAL ECONOMIC OBJECTIVE IN THE TRANSITION TO SOCIALISM, BUT FULL EMPLOYMENT WILL ONLY BE POSSIBLE IN THE MEDIUM TO LONG TERM.
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-- WITHIN TWO MONTHS, PROGRAMS OF RECOGNIZED ECONOMIC AND TECHNICAL MERIT WILL BE INITIATED, AND THE PUBLIC ENTITIES RESPONSIBLE FOR CARRYING THEM OUT DESIGNATED.
-- LEGISLATION WILL BE ISSUED ALLOWING NATIONAL AND MUNICIPAL AUTHORITIES GREATER FLEXIBILITY IN UNDERTAKING PROJECTS.
(COMMENT: PORTUGUESE GOVERNMENTAL RED TAPE IS LEGENDARY AND EFFECTIVELY HAMPERED RAPID IMPLEMENTATION OF PUBLIC WORKS PROJECTS IN THE PAST.)

-- LEGISLATION WILL BE ISSUED FAVORING THE CONTINUED OPERATION OF PRIVATE FIRMS "OF ECONOMIC INTEREST" WHICH ARE IN ECONOMIC DIFFICULTIES.

-- A PROGRAM OF OCCUPATIONAL TRAINING AND RETRAINING WILL BE INITIATED.

-- FINANCIAL ASSISTANCE TO THE NATIONAL EMPLOYMENT PROGRAM WILL BE GIVEN BY GENERAL BUDGET, RESOURCES OF THE NATIONALIZED INSURANCE COMPANIES, AND THE NATIONAL UNEMPLOYMENT FUND.

-- PROGRAM WILL BE COORDINATED AT NATIONAL LEVEL BY A CENTRALIZED PLANNING AGENCY. REGIONAL AND LOCAL EMPLOYMENT COMMISSIONS WILL BE ESTABLISHED WITH REPRESENTATION OF AFM, LOCAL AUTHORITIES, UNIONS, PUBLIC UTILITY REPRESENTATIVES, AND SMALL AND MEDIUM BUSINESSES.

6. COMMENT: THE SOCIAL WELFARE PROGRAM WHICH THE PORTUGUESE GOVERNMENT HAS OUTLINED IS SIMILAR TO MANY PROGRAMS ALREADY EXISTING IN OTHER COUNTRIES BUT IS REVOLUTIONARY IN THE PORTUGUESE CONTEXT. IT IS QUESTIONABLE WHETHER THE GOP WILL BE ABLE TO UNDERTAKE AND FINANCE SUCH AMBITIOUS SCHEMES AT THE SAME TIME IT IS ATTEMPTING TO DIGEST A MAJOR ECONOMIC REORGANIZATION.

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